

Joint Treasury/Health Report: 2007 Vote Health Budget Package - Bilateral Briefing

Date:	22 February 2007	Treasury Priority:	High
Security Level:		Treasury Report No:	T2007/210
		Health Report No:	HR 20070253

Action Sought

	Action Sought	Deadline
Minister of Finance	Note the recommendations in this report prior to your bilateral with Hon Pete Hodgson on Wednesday, 28 February 2007	3.30 pm, Wednesday, 28 February 2007
Minister of Health	Note the recommendations in this report prior to your bilateral with Hon Dr Michael Cullen on Wednesday, 28 February 2007	3.30 pm, Wednesday, 28 February 2007

Contact for Telephone Discussion (if required)

Treasury contact

Name	Position	Telephone	1st Contact
<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>			1
Colin Lynch	Manager Health	<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>	2

Health contact

Name	Position	Telephone	1st Contact
<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>			1
Paul Helm	Chief Financial Officer	<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>	2

Joint Treasury/Health Report:

2007 Vote Health Budget Package - Bilateral Briefing

This paper provides a briefing to guide Ministers through decisions at the Health bilateral at 3.30pm on 28 February 2007. Decisions are required from Ministers on three issues:

1. Pre-committing part of future health budget allocations **Section B**
2. A capital allocation for health in Budget 2007 **Section C**
3. An indicative operating allocation for Budget 2009 **Section D**

Ministers may also want to use this meeting to discuss:

4. Approaches to longer-term fiscal and policy challenges in the health sector
Section E
5. The proposed Budget 2007 Health package (including the fit with longer-term view)
Section F

The recommendations that follow provide a structure for Ministers to work through these decisions in the meeting.

The body of the paper provides relevant supporting material.

Recommended Action

We recommend that you read the attached briefing and use it as the basis for making decisions in your bilateral meeting at 3.30 pm on Wednesday, 28 February 2007.

Colin Lynch
**Manager Health Section
For Secretary to the Treasury**

Debbie Chin
**Deputy Director-General
Corporate and Information**

Hon Dr Michael Cullen
Minister of Finance

Hon Pete Hodgson
Minister of Health

Recommendations

We recommend that Ministers:

Decision 1 – Pre-commit part of future indicative health allocations

Section B

1. **note** that the proposed Vote Health Budget 2007 package has a rising expenditure profile in the outyears
either: (Ministry of Health recommendation)
Yes / No
2. **agree** to pre-commit up to \$53 million per annum in Budget 2007 from future indicative health budget allocations
or (Treasury recommendation)
Yes / No

3. **direct** officials to review the package to minimise pre-commitments

Yes / No

Decision 2 – A capital allocation for health in Budget 2007

Section C

4. **note** health capital pressures in 2007/08 are up to \$217 million after anticipated contributions from DHBs and the existing Health capital envelope
either: (Ministry of Health recommendation)
Yes / No
5. **agree** to an additional capital appropriation of \$217 million in Budget 2007 to meet the highest priority capital pressures
or (Treasury recommendation)
Yes / No
6. **note** the estimate of the current operating underspends and risk reserves in Vote Health in 2006/07 are over \$100 million
Yes / No
7. **agree** to meet capital pressures by transferring the current operating underspends and risk reserves to capital as part of the 2007 Budget package
Yes / No

Decision 3 – An indicative operating allocation for Budget 2009

Section D

8. **note** that the sector finds it useful to establish an indicative allowance for future operating budgets
Yes / No
9. **agree** an indicative operating allocation for Budget 2009 of:
 - Option A: \$750 million, or **Yes / No**
 - Option B: \$800 million, or **Yes / No**
 - Option C: \$850 million **Yes / No**
10. **agree** to review this indicative allocation as part of the Budget 2008 strategy phase in light of updated economic and fiscal information feeding into the Half Year Economic and Fiscal Update
Yes / No

Further discussion

Sections E & F

11. **discuss** the longer-term challenges of managing expenditure growth in the sector in balance with the Government's policy and fiscal objectives

Yes / No

12. **note** that the proposed health operating package has been determined with this longer-term view in mind.

Yes / No

B. Rising expenditure profiles & proposed health pre-commitments against future budgets

1. The proposed package of initiatives for Budget 2007 contains a rising expenditure profile that is often a feature of new initiatives.

Table 1 – Rising outyear expenditure profiles in excess of \$750 million Health allocation

Operating	\$ millions			
	2007/08	2008/09	2009/10	2010/11 & outyears
Pre-commitments sought against future Vote Health budget operating allocations	-	44.710	50.985	52.645

Options

2. There are two main options for managing rising profiles, either:
 - pre-commit against future Budget allocations (Ministry preferred option), or
 - review the package to minimize pre-commitments (Treasury preferred option)
3. A further option would be to offset the rising profiles against risk reserves. However, if reserves are significantly reduced, there is a risk that material in-year issues could not be covered off without seeking additional funding from the Crown.
4. In Budget 2006, Cabinet agreed that the Minister of Health could advance decisions that would pre-commit the indicative allocations in the out-years to a maximum of \$77 million (CAB Min (06) 11/7 (25) refers).
5. The Ministry of Health recommends Ministers approve up to \$53 million of pre-commitments in Budget 2007. This will fully fund those initiatives that have rising costs in the out-years.
6. Determining the level of pre-commitments involves on the one hand ensuring initiatives are fully funded in the out-years and on the other hand living within prudent fiscal parameters over time.
7. To the extent that pre-commitments are significant and are eventually utilised, they can limit the amount of discretionary funding available to the Minister of Health to manage Budget 2008 pressures. The size of this risk is manageable provided there is:
 - a. a clear understanding that the indicative \$750m allocation in Budget 2008 will not be exceeded, and,
 - b. that the dollar value of pre-commitments needs to be less than the risk reserves the Ministry retains within its baseline. The proposed Budget package includes risk reserves of \$81 million per annum from 2007/08.
8. Should Ministers want to retain greater flexibility for decisions in Budget 2008, the alternative option is to review the package to minimise pre-commitments. This is Treasury's preferred option.

C Budget 2007 health capital allocation

9. Ministers need to make a decision on a 2007 capital allocation for health. There are a large number of capital pressures this year, including a number of high priority initiatives (refer Appendix 2).
10. \$246.3 million of new capital projects¹ are proposed for consideration in the 2007 capital allocation round in addition to capital projects funded by DHBs from their free cash flows arising from depreciation. After a contribution from the existing Vote Health capital envelope of \$29 million, the proposals require additional capital funding of \$217.3 million.
11. The allocations to particular projects are indicative only subject to the preparation of business cases and their review, recommendations by the National Capital Committee (NCC), and final allocation decisions by Ministers. As a result, the \$217.3 million is an envelope for the new capital projects to be managed within, and not a definitive list.
12. A decision on how to best manage these pressures should be made in light of the latest information on the current macroeconomic pressures (in particular the potential inflationary impact of higher than expected aggregate capital spending in 2007/08).

Options

13. The Ministry of Health's preferred option is to appropriate further capital of \$217 million in Budget 2007.
14. If Ministers are concerned about inflationary impacts, the other option is to agree to meet pressures by transferring current operating underspends and risk reserves to capital for the 2007/08 year only. Treasury officials note that at least \$100 million in risk reserves and accumulated underspends are currently available within existing Vote health baselines in 2006/07. This is Treasury's preferred option. This approach would preclude the use of these funds for other purposes including emerging risks.
15. The proposed capital projects listed in Appendix 2 are described below.

Proposed capital projects

- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- Cabinet has agreed to implement the national mental health strategy, which aims to increase the level of services provided to the New Zealand public. As part of the strategy, DHBs are expected to build mental health units to deliver modern standards of care and increase capacity to support this strategy. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

¹ This is after contributions from DHBs towards the cost of the major projects that they would otherwise be unable to finance

- As part of emergency management planning, it has been agreed by Cabinet that three DHBs put in place physical containment level 3 (PC3) laboratories to deal with high containment testing requirements. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- It is expected that there will be a national implementation of InterRAI, an assessment tool to determine the needs of older people so they can receive appropriate services which may include home-based support. Overseas evidence suggests improved services and significant cost savings can be delivered through the implementation of such assessment tools.
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

D Indicative health operating allocation for Budget 2009

16. It is useful to the sector to signal an indicative budget allocation in advance.
17. The following factors need to be balanced when considering an appropriate allocation:
- fiscal trade-offs at the macro level
 - the need to give the sector sufficient certainty to encourage sound planning
 - the extent to which funding will enable government priorities to be progressed through new initiatives
 - an assessment of emerging pressures that may need to be considered in Budget 2009.
18. Each of these factors is considered below. The amounts referred to in these comments are summarised in the following table:

Table 2: Possible scenarios for indicative Health operating allocation - Budget 2009

Alternative estimates for Budget 2009 Expenditure	Budget 2009 amount	Percentage of \$2 billion Allocation for Budget 2009	Percentage increase in baselines
Increase Vote Health at the same average growth rate as the long Term Fiscal Report base case	\$650 million	32.5%	5.60%
Nominal allocation over Budgets 2006 to 2008	\$750 million	37.5%	6.47%
\$750 million allocation in Budget 2006 adjusted for expected inflation (CPI) over intervening years	\$800 million	40.0%	6.90%
Allocation that would provide similar level of funding for new initiatives in real terms as in Budget 2006 after cost and volume pressures	\$850 million	42.5%	7.33%
\$750 million allocation in Budget 2006 adjusted by expected GDP growth in intervening years	\$875 million	43.8%	7.55%

19. Within the agreed allocation, cost and volume pressures will need to be accommodated. These are expected to range between \$492 million (assuming inflation of 2%) and \$609 million (assuming inflation at 3%) and assuming population changes based on Department of Statistics projections.
20. Appendix 4 shows the funding that would be available for new initiatives in Budget 2009 for a range of possible indicative Health allocations between \$750 million and \$850 million, after providing for cost and volume pressures² based on different inflation scenarios and a reserve of \$45 million for risk management.
21. Appendix 4 compares the funding available for new initiatives under these scenarios with the average of \$235 million available for new initiatives in Budgets 2006-2008³.

² assuming population growth based on Department of Statistics projections

³ prior to the inclusion of an efficiency adjustor.

\$850 million allocation (Ministry preferred option)

22. An indicative allocation of \$850 million assuming inflation at 2.5% would provide a residual of \$254 million for new initiatives after providing for price and volume adjusters and a \$45 million risk reserve.
23. If a low inflation assumption is used in setting the indicative Health operating allocation for Budget 2009, there is a risk this will understate the actual cost pressures resulting in less scope for new initiatives.
24. Health is expected to manage the risk of inflation being different from forecast so it is desirable that there should be similar likelihood that the inflation rate will vary in either direction. That way, Health faces a tighter constraint in a year when inflation is high, but can recover in a year when inflation is lower. Health officials consider that setting the indicative allocation assuming an inflation rate of 2.5% would provide this balance.

\$750 million allocation (Treasury preferred option)

25. An indicative allocation of \$750 million leaves a greater buffer for uncertainty. It is likely to be easier to increase if the economic situation is more positive than forecast, compared with trying to reduce sector expectations should the position deteriorate. Retaining the flexibility to increase the allocation to Vote Health in the future may also avoid prematurely crowding out other government expenditure.
26. This amount is indicative only (as are the overall budget allocations for 2009). The amount can be reviewed as part of the Budget 2008 strategy phase in light of updated economic and fiscal information feeding into the Half Year Economic and Fiscal Update.

E Achieving a long-term view of health and value for money

27. As part of the Director General's review of the Ministry of Health a renewed focus on the longer-term is anticipated. The review identified the need to go 'harder and faster' on the Minister's priorities while streamlining the delivery of the core operating functions to achieve increased responsiveness and a proactive management approach.
28. In response to the findings of the review, and the wider strategic context in which the Ministry of Health operates, the Ministry intends to focus its interventions and outputs to achieve measurable outcomes including through the development of a long-term health sector strategic plan that includes the Ministry of Health.
29. The Ministry will focus more on long-term sector strategic planning for health sector priorities, including long-term needs analysis, to promote ongoing sector sustainability.
30. There are over thirty strategies that provide guidance to the sector on achieving progress on a specific disease, disability or service. At a national level the many strategies provide useful signals to the community on how the health system will achieve progress in specific areas of need. A long-term plan that brings together these many strategies will be developed. The long-term plan will respond to the risks and opportunities signalled by environmental scanning, for example, the risks to, and opportunities for, reducing inequalities. The plan will be developed collaboratively with the health sector.
31. Other areas that will require focus include:
 - The Minister's priorities for concerted action for the health sector, these include chronic disease, child and youth services, primary health care, the health of older people, infrastructure and cost-effectiveness.
 - Developing the Ministry of Health by clarifying the Ministry's core roles and strengthening capacity to deliver on them.
 - Streamlining how the Ministry works with the wider sector to ensure the health system delivers on the Government's themes and priorities for health now, while at the same time developing its capability and focus to implement the long-term health sector strategic plan in collaboration with the sector.
32. Other ongoing work areas that seek to improve the focus on value for money and the long-term include:
 - Service area reviews that systematically examine the allocation of resources in major areas and provide practical ways to reconfigure current services to better direct resources to the most effective areas and to disinvest in less effective services. There are ongoing service reviews in child health and cardiovascular disease.
 - An increased emphasis on value for money, with a pilot around diabetes being run in 2007/08.
 - Improving PHO performance in partnership with PHOs and DHBs.
 - Reviewing accountability documentation to deliver practical proposals to streamline and simplify the DHB accountability arrangements and sharpen the focus of the Ministry and DHBs on performance improvement.
 - Increased use of target setting, including a set of national health target areas for inclusion in the 2007/08 planning process.

F Proposed 2007 Vote Health Budget package - operating initiatives

33. Vote Health is a significant part of the Families – Young and Old (FYO) theme. The Budget 2007 initiatives reflect the FYO themes, the Minister of Health's priorities and cost and volume pressures. Health and Treasury officials have been providing advice to the Minister of Health on the initiatives proposed to be funded from the \$750 million operating allocation for Vote Health in Budget 2007. The Minister of Health has now agreed to support the proposed package of Budget 2007 initiatives in Appendix 1.
34. The proposed Health initiatives for Budget 2007 continue to invest in the public health system and encourage better health for all New Zealand families. The following table details the proposed sources of funding for initiatives in Budget 2007 and the proposed initiatives grouped into Families – Young and Old sub-themes. The full list of proposed Budget 2007 initiatives is provided in Appendix 1.

Table 3 – Proposed package of initiatives for Budget 2007

	Operating Expenditure proposed (000s)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & outyears
SOURCES OF ADDITIONAL OPERATING FUNDS					
Budget 2007 allocation	750.0	750.0	750.0	750.0	750.0
Increased ACC revenue forecast	13.0	13.0	13.0	13.0	13.0
Contribution from existing Vote Health baselines	97.8	84.6	79.4	77.5	76.5
Total available for operating initiatives	860.8	847.6	842.4	840.5	839.5
COST OF PROPOSED OPERATING INITIATIVES					
FYO - Strong Families	9.8	14.8	19.8	19.8	19.8
FYO - Healthy, Confident Kids	20.7	34.4	34.4	34.4	33.5
FYO - Better Health for All	691.6	703.5	698.5	698.2	698.2
FYO - Positive Ageing	57.8	58.6	59.7	59.7	59.7
Total cost of initiatives	779.8	811.3	812.4	812.1	811.2
RESERVES FOR SECTOR RISK MANAGEMENT	81.0	81.0	81.0	81.0	81.0
OUTYEAR SURPLUS / (PRE-COMMITMENTS)	0.0	(44.7)	(51.0)	(52.6)	(52.6)

35. Health is contributing from existing baselines to reduce the level of pre-commitments required against future Budget allocations. After these contributions, \$110 million of unallocated funds remain in 2006/07 only. *[Information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice].*
36. It is proposed to add \$81 million per annum to the risk reserves from the 2007 Budget package, \$45 million as a general risk reserve to manage risks in 2007/08, *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

37. Table 4: Risk Reserves and contribution to Budget 2007 package

	Operating Expenditure (\$ millions)						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Out years
Funds held for Risk Management within existing baselines							
Unallocated funds in Health Service Funding NDE after OBU 2006	166.524	38.255	56.882	64.860	68.085	68.085	68.085
Rephase 2006/07 reserves	(124.665)	62.665	28.590	15.420	9.46	8.53	-
Contribution to Budget 2007 initiatives		(97.835)	(84.590)	(79.420)	(77.460)	(76.530)	(68.000)
Available for decisions in 2006/07	41.859	3.08	0.88	0.86	0.08	0.08	0.08
	68.335	56.668	56.668	56.668	56.668	56.668	56.668
Remaining Funds Held for Risk Management within Existing Baselines	110.194	59.753	57.550	57.528	56.753	56.753	56.753

APPENDIX 1: PROPOSED BUDGET 2007 OPERATING INITIATIVES

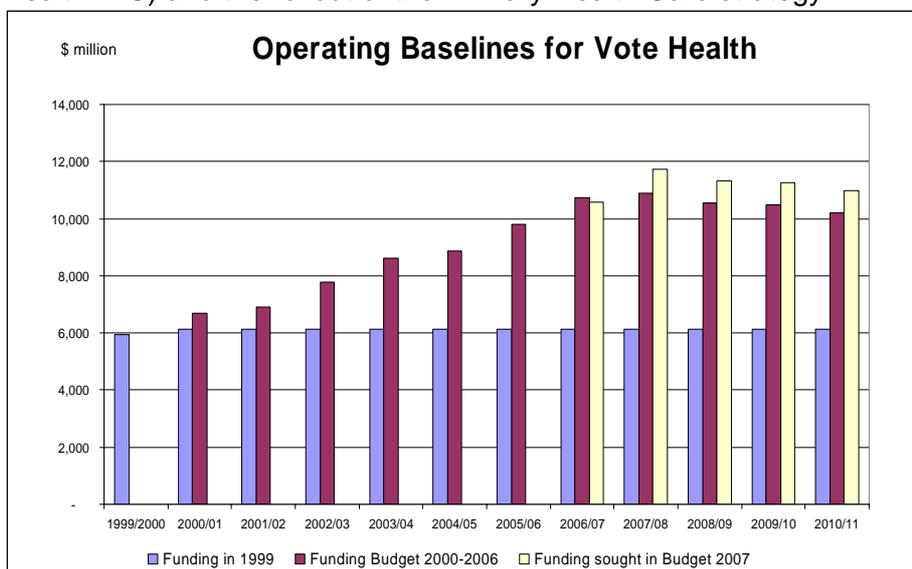
Minister's Priority	Title of Initiative	Operating Expenditure proposed (\$000s)				
		2007/08	2008/09	2009/10	2010/11	2011/12 / outyears
SOURCES OF ADDITIONAL OPERATING FUNDS						
	Budget 2007 allocation	750,000	750,000	750,000	750,000	750,000
	ACC Public Health & Acute Services Revenue	13,000	13,000	13,000	13,000	13,000
	Contribution from existing Vote Health baselines					
	- one-off contribution (ends in 2011/12)	62,665	28,590	15,420	9,46	8,53
	- on-going contribution	35,170	56,000	64,000	68,000	68,000
	Total available for operating initiatives	860,835	847,590	842,420	840,460	839,530
OPERATING INITIATIVES:						
Address price & volume changes in health services		577,765	577,765	577,765	577,765	577,765
	Forecast Funding Track & Demographics	474,265	474,265	474,265	474,265	474,265
	Additional elective volumes	59,500	59,500	59,500	59,500	59,500
	Increased baseline funding for Intellectual Disability (Compulsory Care) & Rehabilitation and High and Complex Services	3,00	3,00	3,00	3,00	3,00
	Improve terms & conditions for low-paid DHB workforce	10,000	10,000	10,000	10,000	10,000
	Increase DHB pharmaceuticals budget	20,000	20,000	20,000	20,000	20,000
	Residential services for disabled people (aged under 65)	11,000	11,000	11,000	11,000	11,000
Child & youth services		37,440	60,730	64,720	64,040	63,140
- Addressing health needs		6,53	9,71	8,63	8,11	8,11
	Autism Spectrum Disorder work programme	2,62	5,18	5,18	5,18	5,18
	Cochlear implant services for adults and newborns	2,31	2,93	1,85	1,33	1,33
	Provide support for family caregivers	1,60	1,60	1,60	1,60	1,60
- Protecting good health		30,910	51,020	56,090	55,930	55,030
	Antenatal Downs Syndrome screening programme	5,00	10,000	15,000	15,000	15,000
	Improve the newborn metabolic screening programme	50	50	50	50	50
	National Drug Policy - Online drug data & information system	15	30	30	20	20
	National Drug Policy - Mass media/education campaign on illicit drugs	27	1,55	1,55	1,55	1,55
	Include pneumococcal vaccine in National Immunisation Schedule	17,000	27,700	27,700	27,700	27,700
	Plunket WellChild contacts (telephone delivery)	1,50	1,50	1,50	1,50	1,50
	Programmes to prevent family violence	2,80	2,80	2,80	2,80	2,80
	Sexual health education & to reduce sexually transmitted infections	2,50	5,00	4,50	4,50	3,60
	AIMHI Healthy Community schools - nurse component & project evaluation	1,18	1,67	2,24	2,18	2,18
Improving quality of infrastructure & workforce		57,100	51,505	52,360	49,890	49,860
	Health & Disability Commissioner - expand advocacy services	55	82	1,10	1,10	1,10
	Develop integrated data management systems - Tranche I	17,700	14,700	14,700	14,700	14,700
	Additional funding for National Health Epidemiology & Quality Assurance Committee	50	50	50	50	50
	Stabilise home-based disability support services	4,00	4,00	4,00	4,00	4,00
	Stabilise home-based disability support services -	4,00	4,00	4,00	4,00	4,00
	Improve patient safety using bedside verification of drugs in DHB hospitals	3,50	5,80	5,30	4,30	4,20
	Improve the ability of disabled people to live safely in their own home, to communicate and to participate in the wider community (Environmental Support Services)	14,370	11,290	12,320	12,830	12,830
	Implement the Australia New Zealand Therapeutic Products Authority (ANZTPA)	4,50	-	-	-	-
	Support for complementary medicines & medical devices sectors during transition to ANZTPA	7,98	10,390	10,440	8,46	8,53
Primary health care services		14,680	20,800	11,460	11,160	11,160
	Rural support for primary maternity care	2,00	2,00	2,00	2,00	2,00
	Strengthen primary mental healthcare response to mental illness & addiction	5,10	7,60	4,40	3,90	3,90
	Suicide prevention & National Depression Initiative	4,58	8,20	5,06	5,26	5,26
	Transitional funding for primary healthcare innovation	3,00	3,00	-	-	-
Reducing the chronic disease burden		35,050	41,900	46,400	49,550	49,550
	EnergyWise home grants scheme	1,80	1,80	1,80	-	-
	Extend 'Get Checked' to include Cardiovascular Disease	3,30	3,30	3,30	3,30	3,30
	Funding for Healthy Eating - Healthy Action implementation plan	12,450	12,750	12,750	12,750	12,750
	Implement specific actions in Cancer Control Action Plan - Goals 2 to 6	6,50	6,50	6,50	6,50	6,50
	Increase capacity to review emergent screening technology	10	10	10	10	10
	Interim Funding Pool for people with chronic health conditions	-	6,55	11,050	16,000	16,000
	Smoking cessation programmes	10,900	10,900	10,900	10,900	10,900
Services for health of older people		57,800	58,600	59,700	59,700	59,700
	Aged Residential Care	18,300	18,300	18,300	18,300	18,300
	Aged Residential Care -	19,200	19,200	19,200	19,200	19,200
	Home-based support services & implementation of InterRAI (residential assessment) tool	17,100	17,900	19,000	19,000	19,000
	Home-based support services -	3,20	3,20	3,20	3,20	3,20
TOTAL COST OF INITIATIVES		779,835	811,300	812,405	812,105	811,175
SECTOR RISK MANAGEMENT RESERVE		81,000	81,000	81,000	81,000	81,000
TOTAL FUNDING REQUIRED IN 2007/08		860,835	892,300	893,405	893,105	892,175
SURPLUS (PRE-COMMITMENTS AGAINST FUTURE BUDGET ALLOCATIONS)		-	(44,710)	(50,985)	(52,645)	(52,645)

APPENDIX 2 – HEALTH CAPITAL PRIORITIES

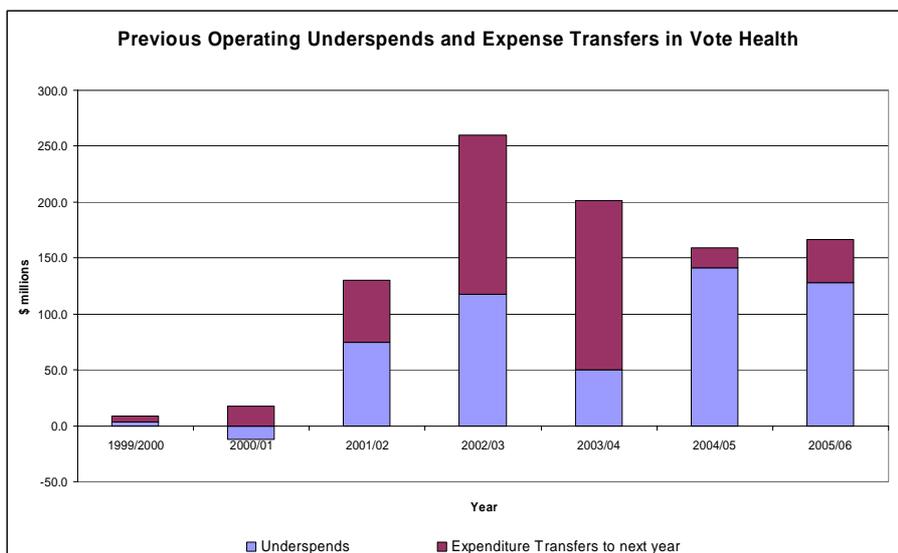
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APPENDIX 3 – ANALYSIS OF VOTE HEALTH BASELINES AND UNDER-SPENDS (the underspends have included reserves which are transferred between years to manage risks)

Vote Health baselines for 2006/07 are currently \$10,712 million (including \$504 million capital). The following graph⁴ shows the vote has received significant increases in funding in the past six year period, which encompassed the addition of additional functions (Health Funding Authority and HealthPAC) and the rollout of the Primary Health Care strategy.



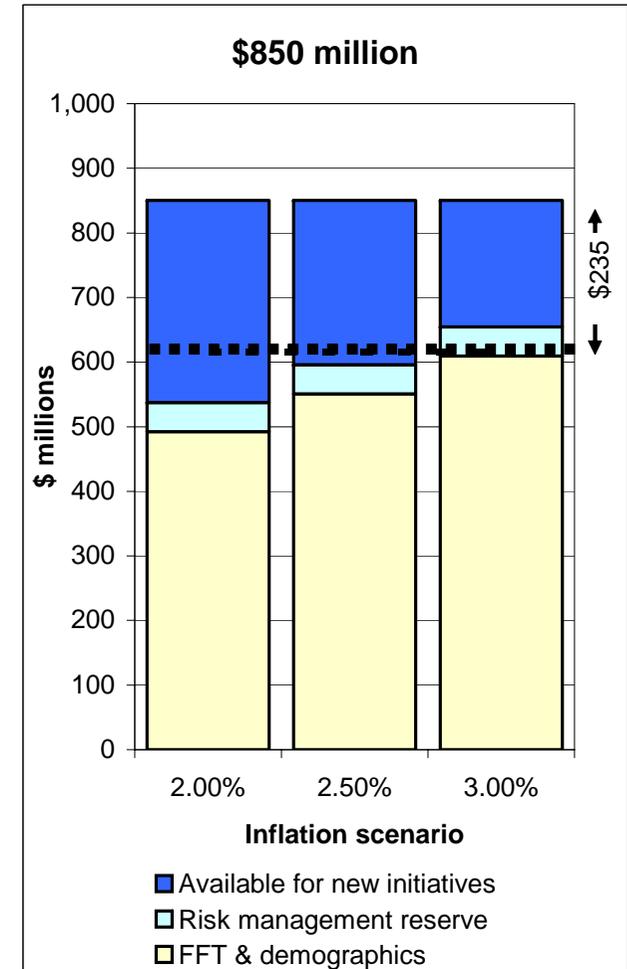
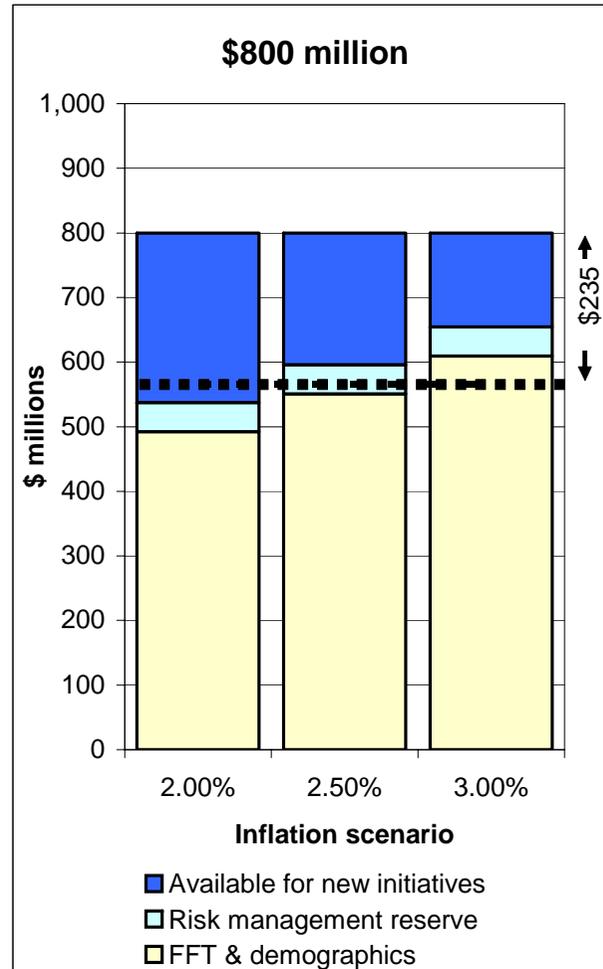
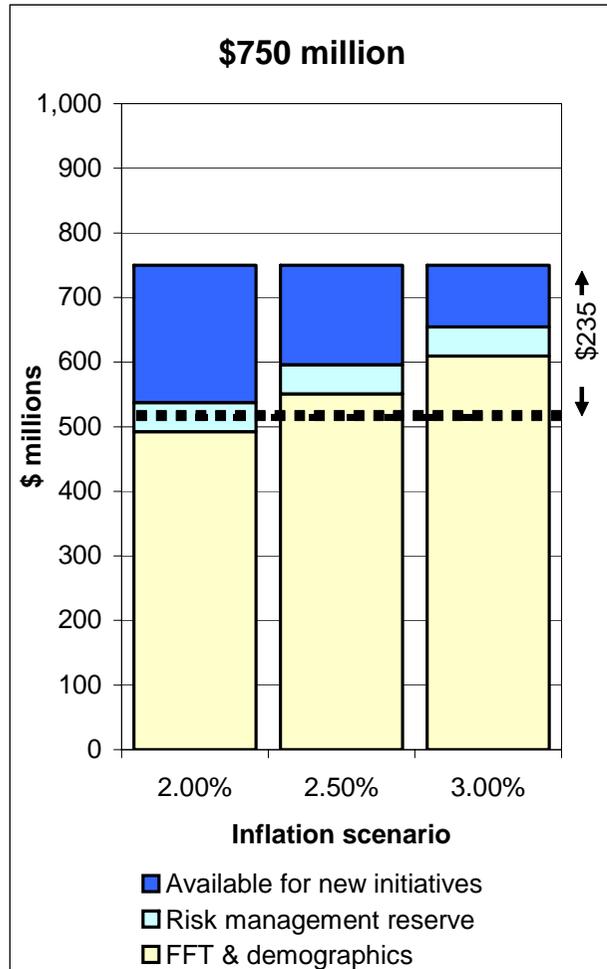
The following graph details the history of under-spending in the vote. The underspends have included reserves which are transferred between years to manage risks. This analysis of underspends does not show capital transfers or the impact of re-appropriations which are approved by Cabinet outside the baseline update processes. These can be significant. Total unspent funds, including capital and re-appropriations, transferred from 2005/06 to 2006/07 amounted to \$530 million (Parliamentary question 19346 of 12 December 2006 refers).



The funding arrangements in place for health include expectations that risks such as DHB deficits will be managed within the funding provided. This has necessitated the transfer of funding across years to retain sufficient funds to manage emerging risks and for specific purposes such as DHB deficit where the final out turn is not finalised until the following year. The extensive capital redevelopment programme undertaken in recent years has also required substantial transfers of funds between years to align appropriated funding with anticipated capital drawdowns.

⁴ Data sourced from the Crown Financial Information System.

APPENDIX 4 – POSSIBLE BUDGET 2009 ALLOCATIONS & IMPACT ON FUNDING AVAILABLE FOR NEW INITIATIVES



The \$235 million band shown by the dotted line in each graph is the average level of funding expected to be available for new Health initiatives in Budgets 2006 – 2008 are funding cost and volume pressures and providing a \$45 million general risk reserve. This level of funding is achieved when the blue shaded area falls below the dotted line.